

State of California
Business, Transportation and Housing Agency
Department of Transportation

MASS TRANSPORTATION MATTERS
Pasadena Metro Blue Line Construction Authority
Action Item

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CTC Meeting: July 11-12, 2001

Agenda Item: 2.10

Original Signed By _____
W. J. EVANS
Chief Financial Officer
July 1, 2001

PASADENA METRO BLUE LINE CONSTRUCTION AUTHORITY
RESOLUTION G-01-

ISSUE

The Pasadena Metro Blue Line Construction Authority (PMBLCA) is requesting California Transportation Commission (Commission) approval to sell real property at the Chinatown station site and use the proceeds to complete construction of the Pasadena Metro Blue Line's original scope of work for purposes related to Phase I of the project. The Chinatown property was purchased with 50% State Proposition 108 funds and 50% local Proposition A sales tax funds.

RECOMMENDATION

The Department of Transportation (Department) recommends that the Commission approve the sale of the Chinatown property based on:

- Bond counsel findings that the sale does not jeopardize the tax-exempt status of State Proposition 108 bonds;
- PMBLCA agreement with the Department that all terms and conditions of the prior Fund Transfer Agreement apply to the sale proceeds; and
- PMBLCA documentation (monthly invoicing) that property sale proceeds will be used for original Pasadena Metro Blue Line Phase I scope of work elements by March 31, 2003.

BACKGROUND

This is the second time PMBLCA has requested approval to sell a property purchased with tax-exempt bond funds. At the March 28-29, 2001 meeting, the Commission approved PMBLCA's request to sell properties at the Sierra Madre Villa and Del Mar station sites to private developers on terms similar to those in this request. The Sierra Madre Villa property had been purchased with 100% State Proposition 116 bond funds. The Del Mar property had been purchased with local funds used as part of the 100% required local match to the \$20 million State Proposition 108 bond funding for the project. The Commission approved the sale of the Sierra Madre Villa and Del Mar properties based on joint developer

completion guarantees and easement agreements ensuring transit patron parking of 1000 spaces at Sierra Madre Villa and 600 spaces at Del Mar in perpetuity.

Chinatown, a very congested community in a central business district, is oriented to pedestrians and transit users. PMBLCA will sell the Chinatown property to a private developer for \$4.5 million, for an all-private street-level commercial development with a loft residential component. Transit patron parking is not planned for the property because it is not compatible with the central location of the site. The PMBLCA will not be involved in the commercial/residential development. The proceeds will be used to fund Pasadena Metro Blue Line's construction within two years, as outlined in the financial plan approved by the Commission on January 14, 1999 per STIP Amendment 98S-18B and amended on March 28-29, 2001 per Resolution MFP-00-16 (see Attachments).

PMBLCA has determined that the expected sales price reflects fair market value, with no public subsidy to the purchaser, and thus, no gift of public funds. PMBLCA also retained a real estate financial consulting firm, PCR Kotin, which analyzed four responses to a Request for Proposal; conducted an appraisal and valuation of the parcel; and confirmed that the proposed bid price reflected fair market value.

The 5-acre Chinatown site was acquired in 1990 as part of a larger \$17 million purchase (Taylor Yard, L.A. River Bridge, Union Station, etc.) from the Southern Pacific Transportation Company. No federal funds were used to acquire the Chinatown site.

The Commission resolution that allocated State bond funds to the project states:

BE IT FURTHER RESOLVED, that if the Recipient receives any revenues or profits from any non-governmental use of property allowed pursuant to bond certification (whether approved at this time or hereafter approved by the State), the Recipient agrees that such revenues or profits shall be used exclusively for the public transportation services for which the project was initially approved, either for capital improvement or maintenance and operational costs. If the Recipient does not so dedicate the revenues or profits, a proportionate share shall (unless disapproved by State's bond counsel) be paid to the State equivalent to the State's percentage participation in the project.

In addition, Article VI of the Fund Transfer Agreement (the contract between the State and PMBLCA) restricted the sale of such properties and the use of proceeds, stipulating the return of the State's proportionate share of the proceeds unless the funds were used for the project or an approved replacement project with the State's concurrence.

The Department's legal counsel stated in his December 26, 2000 letter to the PMBLCA that sales of bond-funded properties could take place without jeopardizing the tax-exempt status of the bonds "as long as the proceeds were reinvested in the project, subject to formal Caltrans and CTC concurrence and the following conditions:

- That PMBLCA promptly request CTC approval of the use of the sale proceeds.
- That PMBLCA and Caltrans amend the Fund Transfer Agreement to include the new uses of the sale proceeds for Blue Line construction completion.
- That PMBLCA agree that prior Fund Transfer Agreement obligations, duties and restrictions carry over and apply to new uses of the property sale revenues."

The PMBLCA concurs with the Department's legal counsel and will abide by these conditions for the sale of the Chinatown property.

Attachment